



INDONESIA: TRADE AND INVESTMENT HIGHLIGHTS MAY 2005

Summary:

- The Central Statistics Agency announced on June 1 that Indonesia's exports for the first four months of 2005 grew 23.7 percent compared to the same period in 2004.
- Foreign investment approvals reached USD 4.94 billion from January to April 2005, a 47.6 percent increase year-on-year.
- Indonesian authorities destroyed more than 700,000 pirated Play Station DVDs and the Indonesian Police conducted an end-user raid against a company using unlicensed software.
- Indonesia and Japan formally agreed to begin Economic Partnership Agreement negotiations and implement a Strategic Investment Action Plan.
- The Ministry of Agriculture says it will continue to ban rice imports until December 2005.
- The GOI is expected to re-open imports of shrimp in July 2005.
- The European Union has declined Indonesia's request for early implementation of new GSP benefits originally scheduled for July 2005.
- The Ministry of Communication says it will soon begin restricting foreign ships from carrying domestic cargos.
- On May 1, the Ritz Carlton opened the first new five star hotel in Jakarta in a decade.
- Lion Airlines signed a preliminary agreement to procure 60 Boeing aircraft and Garuda Airlines announced it is negotiating with Boeing for another 24 aircraft.
- According to Indonesian Government statistics, 1.34 million tourists visited Indonesia in the first four months of 2005, a decrease of 1.4 percent compared to the same period last year.

January-April Trade Statistics Show Strong Growth

The Indonesian Central Statistics Agency (BPS) announced on June 1 that Indonesia's exports reached USD 26.6 billion from January to April 2005, an increase of 23.7 percent over the same period a year earlier. Non-oil and gas exports accounted for USD 20.7 billion of the four-month total, a year-on-year (YoY) increase of 20.3 percent. Meanwhile, January to April 2005 imports grew to USD 18.4 billion, a 25.5 percent increase YoY. Overall, Indonesia's trade surplus reached USD 8.2 billion for the first four months of 2005, an increase of 19.5 percent YoY.

Tabel 1: Indonesian Trade Performance
January - April 2005

In USD billion	Jan - Apr 2004	Jan - Apr 2005	Percent Increase 2005/2004
Export	20.3	26.6	23.7
Oil and Gas	4.7	5.9	20.3
Non-Oil and Gas	15.6	20.7	24.6
Import	13.7	18.4	25.5
Oil and Gas	3.3	5.2	26.5
Non-Oil and Gas	10.4	13.2	21.2
Balance of Trade	6.6	8.2	19.5

Source : Central Statistic Agency (BPS)

Foreign investment approvals rose to USD 4.9 billion from January to April 2005, an increase of 47.6 percent from USD 2.6 billion over the same period in 2004. Meanwhile, domestic investment approvals for the first four months of 2005 dropped to Rp 13.59 trillion (USD 1.4 billion) from Rp 17.27 trillion (USD 1.8 billion), a 21.4 percent decline YoY. The trade and repair sector, metal, machinery and electronic industries, and other service sectors attracted the greatest investor interest. The Investment Coordinating Board (BKPM) reported actual realized foreign investment for the first four months of the year of USD 2.89 billion in new projects, and USD 1.18 billion in foreign acquisitions in existing domestic projects.

[IPR Update: Raids and Destroyed Pirated DVDs](#)

Director General Abdul Bari Azed and Directorate General of Customs and Excise on May 19 witnessed the destruction of approximately 712,000 pirated Play Station DVDs that Indonesia Customs seized in the past few months. According to documents found during the raid, pirates had intended to export the DVDs to Lebanon and the United Arab Emirates. Meanwhile, the Indonesian National Police, with support from the Business Software Alliance (BSA), conducted an end-user raid on May 10 on an unnamed company in Bogor, West Java. The raid, based on a tip to the two-month-old BSA anti-piracy hotline, resulted in the confiscation of 63 computers containing pirated software worth an estimated USD 75,000. Downloading unlicensed software for commercial purposes is a criminal offence under Indonesia's Copyright Law and can carry a punishment of up to five years imprisonment and/or a maximum fine of USD 53,000.

[GOI and Japan to Sign Bilateral Agreement](#)

President Susilo Bambang Yodhoyono (SBY) and Japanese Prime Minister Junichiro Koizumi announced on June 2 their intention to begin negotiating by July 2005 a "Japan-Indonesia Economic Partnership Agreement (JIEPA)", a free trade agreement with additional economic partnership provisions. According to a joint Japan-Indonesia announcement, the JIEPA would cover the following areas:

- trade in goods (tariffs and non-tariff measures, rules of origin, trade remedies);
- customs procedures;
- trade in services;
- investment;
- personnel transfers;
- government procurement;
- intellectual property rights;
- competition policy;
- standards and conformance;
- improvements in the business climate;
- cooperation; and
- dispute avoidance and settlement.

The two leaders also agreed to a "Strategic Investment Action Plan" aimed at increasing the level of Japanese investment in Indonesia. The Plan of Action focuses on specific policy issues of interest to Japanese investors, including taxes and customs, competitiveness, small and medium sized enterprises, labor and infrastructure.

[GOI to extend Ban on Rice Imports](#)

Minister of Agriculture Anton Apriyantono announced on May 8 that the Government of Indonesia (GOI) will continue its ban on rice imports until December 2005 in order to protect local prices and supply. Anton expressed optimism that national husked rice production would reach 32 million tons in 2005 and meet estimated domestic consumption of 31 million tons. The Indonesian government first imposed the rice import ban on May 27, 2004 just prior to the rice harvest season. The GOI's initial plan was to leave the ban in effect for one month before and two months after each planting season. The Ministry of Agriculture, however, has the authority to request that the Ministry of Trade extend the ban.

[GOI to Reopen Shrimp Imports](#)

A May 10 press report indicated that the GOI is considering lifting as early as July 2005 a ban on imports of fresh and frozen shrimp. A January 2005 joint decree by the Ministries of Trade and Marine Affairs and Fisheries decree banned for six months the import of frozen and fresh shrimp into Indonesia. The press report noted that pressure to lift the import ban has come from the Indonesian Frozen Seafood Processor Association (APCI). Meanwhile, Indonesian shrimp farmers have expressed concern that growing shrimp imports will harm local shrimp aquaculture sales. The Ministry of Marine Affairs and Fisheries says it will meet with APCI and shrimp farmers in early June to obtain more accurate import and production information to determine whether the GOI should lift the current import ban.

In 2004, Indonesia exported 46,966 tons of shrimp to the United States, a 107 percent increase from 21,663 tons in 2003. This increase has raised concerns that Indonesia may be being used as a hub for illegal shrimp transshipments from China and Vietnam to the U.S. Ministry of Fisheries data shows shrimp exports for Q1 2005

to the U.S. grew to 14,405 tons from 6.633 tons in Q1 2004, a 117 percent increase YoY.

[EU Sticks to July Implementation of New GSP Facilities](#)

Minister of Trade Mari Pangestu told the press on May 10 that the European Union (EU) has declined Indonesia's request to speed up implementation of new EU Generalized System of Preferences (GSP) tariff concessions for Indonesia. Instead, the EU will maintain its original implementation date of July 1, 2005. As part of a post-tsunami package of trade related assistance to Indonesia, the EU promised to simplify import procedures, such as rule of origin requirements, and to provide GSP benefits to Indonesia for several new products. The Ministry of Trade says it is still awaiting the final list of GSP items, which the European Parliament is expected to approve soon.

[Foreign Ships Can no Longer Carry Domestic Cargoes](#)

Ministry of Communications Director General of Sea Communications Tjuk Sukardiman announced on May 9 that the GOI will soon issue implementing regulations for a Presidential Instruction banning foreign ships from carrying domestic cargoes for five commodities: general cargo, timber, fertilizer, rice and cement. The GOI says the policy is intended to increase local shipping companies' share of Indonesia's inter-island cargo market to 75 percent by 2009. However, foreign ships are expected to maintain a 95 percent share of Indonesia's international cargo market. The Ministry expects the implementing regulations to be finalized by the end of 2005 and fully implemented after four years.

[Ritz-Carlton Jakarta Opens In Jakarta](#)

The Ritz-Carlton Company (Ritz) opened its second hotel in Indonesia on May 1, 2005 in Jakarta, adding to the Ritz Bali, which has been in operation since 1996. The new Ritz Premiere is located across the street from the J.W. Marriott, which was the target of a terrorist car bombing in August 2003. The Ritz' Premiere is first new five-star hotel to open in Indonesia in a decade. The Ritz Premiere Sales and Marketing Director is optimistic that the hotel will reach 58 percent occupancy by the end of 2005.

[Garuda and Lion Air to Procure Boeing Aircraft](#)

The President Director of discount carrier Lion Airlines Rusdi Kirana announced on May 26 a preliminary agreement to procure 60 Boeing 737-800 and Boeing 737-900 aircrafts worth USD 3.9 billion. Delivery of the new aircraft will occur from 2007 to 2012. The two companies signed the preliminary agreement during President Susilo Bambang Yudhoyono's visit to Washington, DC. Both companies will work towards finalizing the deal in the coming weeks. Rusdi said his

company will pay for the aircraft with company internal reserves and bank loans. Lion Air currently operates 34 McDonnell Douglas aircraft.

The President Director of state-owned Garuda Airlines Emirsyah Satar announced on May 17 that the company is also negotiating with Boeing to procure six Boeing B777 and eighteen Boeing B737 NG aircraft. Satar did not say when Garuda expects to finalize the deal with Boeing. Press reports note that Garuda is looking for a leasing company to finance the procurement. Garuda currently operates 57 aircraft of various types serving 33 international and 27 domestic routes. Garuda has a heavy debt burden, with debts of USD 826 million, USD 552.8 million of which is to the European Credit Agency.

Tourism

Minister of Culture and Tourism Jero Wacik told the press on May 13 that Indonesia's tourism sector should contribute approximately USD 6 billion to the Indonesian economy this year, up from USD 4.8 billion in 2004. Indonesia's tourism sector represents one of the country's major non-oil and gas foreign exchange earning sectors. BPS announced on June 1 that during the first four months of 2005, 1.34 million tourists visited Indonesia, a decrease of 1.4 percent YoY.
